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Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AGRE-00 SP-02 ICA-11 AID-05
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
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----------043030 151126Z /16-10
R 131330Z JUL 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC 2616
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AMCONSUL ISTANBUL
AMCONSUL IZMIR

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C O R R E C T E D C O P Y (CLASSIFICATION CHANGED TOLIMITED OFFICIAL USE VICE UNCLASSIFIED)

E.O. 11652 N/A
TAGS: ETRD, TU
SUBJ: NEW TURKISH EXPORT MEASURES ANNOUNCED

1. BITS AND PIECES OF A TURKISH EXPORT PROMOTION PROGRAM ARE BEING MADE PUBLIC FROM TIME TO TIME, BUT AS YET IN NO COMPREHENSIVE, ARTICULATED FORM. ALTHOUGH SUCH MEASURES ARE UNDOUBTEDLY STEPS IN THE RIGHT DIRECTION, THEY STRIKE US AS SMALL, HESITANT ONES WHICH WILL CONTRIBUTE ONLY MINIMALLY TO ANY SIGNIFICANT IMPROVEMENT IN TURKEY'S TRADE ACCOUNT. MOST OF THE MEASURES WERE GAZETTED ON JULY 6.

2. BY ANNEX TO A COUNCIL OF MINISTERS DECREE DATED JUNE 26, 1978, THE CEILING ON TAX REBATES GRANTED TO EXPORTERS WAS RAISED FROM 25 TO 35 PERCENT. THIS REBATE, AS WE UNDERSANTD IT, ENABLES EXPORTERS EVENTUALLY TO CLAIM A TAX CREDIT OF VARYING AMOUNTS, DEPENDING UPON THE COMMODITY EXPORTED,
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OF UP TO 35 PERCENT OF THE REVENUE FROM THE EXPORT. THIS THEORETICALLY MAKES IT POSSIBLE FOR EXPORTERS TO OFFER THEIR GOODS IN THE MARKET AT MORE COMPETITIVE PRICES IN ANTICIPATION OF AN EVENTUAL REDUCTION IN THEIR NET TAX BILL. COMMENT. ALTHOUGH WE ALSO UNDERSTAND THIS WAS A MEASURE THE TURKS WERE ENCOURAGED TO TAKE BY THE IMF, IT IS DIFFICULT TO SEE A 10 PERCENTAGE POINT INCREASE IN THE REBATE HAVING A SIGNIFICANT IMPACT ON TURKISH

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EXPORTS. IN ANY EVENT, IT REPRESENTS AN ADDED COST TO THE TURKISH BUDGET, A TRADEOFF WHICH PRESUMABLY WAS CAREFULLY WEIGHED BY GOT POLICY-MAKERS AND THEIR ADVISORS. END COMMENT.

3. OTHER MEASURES APPEARED IN TH FORM OF MINISTRY OF FINANCE COMMUNIQUES. THE FIRST AUTHORIZED THE ALLOCATION, FOR URGNET NEEDS OF FREE FOREIGN CURRENCY UP TO ONE PERCENT OF THE AMOUNT OF FOREIGN EXCHANGE EARNED DURING THE IMMEDIATELY PREVIOUS YEAR BY EXPORTERS AND TOURISTIC ENTERPRISES. MAXIMUM ALLOCATION TO ANY ONE ENTERPRISE IN ANY ONE YEAR IS $50,000.

4. ANOTHER COMMUNIQUE PERMITS INDUSTRIAL EXPORTERS TO USE 25 PERCENT OF THEIR EXPORT REVENUES TO PAY, ON A PRIOTIRY BASIS, FOR NECESSARY IMPORTED INPUTS OF RAW MATERIALS OR COMPONENTS. THIS ALLOCATION CAN ALSO BE USED TOWARD IMPORT NEEDS OF OTHER LOCAL ENTERPRISES ASSOCIATED WITH THE PRINCIPAL EXPORTER IN SUPPLYING INPUTS FOR THE FINAL PRODUCT.

5. A THIRD SIMILAR MEASURE ENABLES FIRMS THAT HAVE MADE EXPORT COMMITMENTS TO IMPORT ON A /CASH AGAINST GOODS" BASIS INPUTS REQUIRED IN THE MANUFACTURE OF THE COMMODITY COMMITTED. IMPORT COSTS CAN BE CHARGED AGAINST FOREIGN EXCHANGE EARNINGS OF THE PARTICULAR EXPORT IN QUESTION, PROVIDED THAT SUCH CHARGES DO NOT EXCEED THE EXPORT'S NET FOB VALUE. PRINCIPAL, INTEREST AND COMMISSION PAYMENTS IN FOREIGN EXCHANGE CAN ALSO BE SO CHARGED.
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6. FINALLY, ALTHOUGH NOT YET GAZETTED, ANOTHER MEASURE HAS BEEN REPORTED IN THE PRESS TO COMPENSATE FOR THE LACK OF FORWARD COVER AGAINST EXCHANGE RATE FLUCTUATIONS. THIS PROVIDES THAT IF THE TURKISH LIRA IS DEPRECIATED BETWEEN THE TIME AN EXPORT IS MADE AND PAYMENT THEREFOR IS RECEIVED (I.E., THE FOREIGN CURRENCY IN WHICH THE TRANSACTION IS DENOMINATED APPRECIATES), THE TURKISH EXPORTER WILL BE PAID AT THE NEW RATE. CONVERSELY, SHOULD THE TARKISH LIRA ITSELF APPRECIATES IN TE INTERIM, THE EXPORTER WILL BE PAID AT THE RATE PREVAILING AT TH TIME OF THE EXPORT.

7. COMMENT. SOME OBSERVERS HAVE EXPRESSED THE VIEW THAT AN "EXPORT DIRVE" IS UNDERWAY IN TURKEY AS A PART OF THE TURKISH ECONOMIC STABILIZATION PROGRAM. THE MAIN ELEMENTS OF SUCH A DRIVE HAVE EVIDENTLY NOT YET BEEN ANNOUNCED; THE FOREGOING MEASURES CERTAINLY CANNOT BE DESCRIBED AS PART OF SUCH A DRIVE. THEY STRIKE US, WHILE NECESSARY AND USEFUL, BASICALLY AS A TINKERING WITH AND TIDYING UP OF TURKISH EXPORT PROCEDURES. END COMMENT.
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